

MONTHLY NOTESFARM MANAGEMENT AND FARM ECONOMICS*Stencils cut by A. D. M.
Publications*

January 1, 1922.

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DURING THE MONTH there have been no very startling developments. The Agricultural situation has more or less marked time.

Grain movement in the West has eased up lately in anticipation of lower freight rates. Reductions contemplated within the next few days amount, on corn for example, to more than 1 cent a bushel from Iowa points and as much as 5 cents a bushel from some Nebraska points to Chicago.

Occasional reports are beginning to come in that loans advanced by the War Finance Corporation are having some effect in steadying grain movement from the farms.

Tendency toward rather sharp reduction in foreign demand for meat is reported by some of the packing houses.

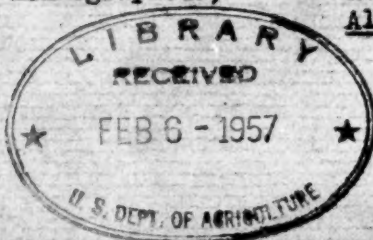
The \$20,000,000 gift of foodstuffs to Russia will benefit farmers in both countries. It brings out sharply the disparity in world production.

PRICE INDEXES FOR NOVEMBER are given below. Farm products from Department of Agriculture; commodity groups from Bureau of Labor Statistics. The figures are all relative to the year 1913, which is taken as the base or 100.

Farm Products
(Prices at the farm)

Commodity Groups
(Wholesale Prices)

	<u>November</u>		<u>November</u>
Cotton	143	Farm Products	114
Corn	69	Food, etc.	142
Wheat	120	Cloths & clothing	186
Eggs	121	Fuel & lighting	186
		Metal & met. products	119
(Other products not available at time this is mimeographed.)		Building materials	197
		Chemicals, etc.	162
		House-furnishing goods	218
		<u>All Commodities</u>	149



PURCHASING POWER RELATIVE TO 1913

(At November 1921 Farm Prices)

<u>In terms of:</u>	<u>Of a Unit of:</u>			
	<u>Cotton</u>	<u>Corn</u>	<u>Wheat</u>	<u>Eggs</u>
All commodities	96	46	81	81
Cloths, etc.	77	37	65	65
Fuel, etc.	77	37	65	65
Metals, etc.	120	58	101	102
Building materials	73	35	61	61
House-furnishing goods	66	32	55	55

THE TREND OF PURCHASING POWER of farm products continues downward. When corn buys from a third to a half of the things it would before the war, the trouble flag is up for a good share of the country's business.

The tables of prices and purchasing power in this month's sheet are not complete. We are changing from quotation of wholesale prices to prices received at the farm. As this sheet is being mimeographed the farm prices on animal products as of Nov. 15 are not yet available.

THE CONGRESSIONAL COMMISSION on agricultural inquiry made the first section of its report public on December 14. Aside from general reference to price readjustments, better roads, community improvement, and so on, the recommendations include:

- Federal legislation in favor of cooperative marketing;
 - Adaptation of banking system to provide adequate agricultural credit;
 - A comprehensive warehousing system, with uniform liability;
 - An immediate reduction in freight rates;
 - More accurate, uniform, practical grades and standards;
 - Better wholesale terminal facilities;
 - Provision for agricultural attaches in foreign countries;
 - Provision for extension investigation of costs, production methods, for livestock statistics, etc.
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"THE PICNEER FARMER and his successor for two or three generations had no systematically planned crop rotation." We are talking now about the lower Piedmont Region, though it applies generally. The rising problem of rotations and other farm management factors are set forth in the bulletin soon to be issued by this Office, An Economic Study of Farming in Catawba County, North Carolina. This covers 297 farms for the year 1912, and 304 farms for 1918. It is the work of E. D. Strait.

FOR MEN WHO NEED MONEY there is food for thought in the bulletin on Credit Associations, by Messrs. Valgren and Englebert of this Office. This came out a little over a month ago; it is Department Circular 197.

SOMEBODY CAN EVIDENTLY BORROW MONEY. The banks of the United States had \$3,869,891,000 out in personal and collateral loans to farmers one year ago this date.

Same date they had out \$1,447,483,000 in farm mortgage loans.

These figures are estimates made by this Office based on reports from 13,540 banks over the country. Of these banks, 76% report some farm business, this being higher in the West and South. Details of this study can be obtained from Mr. V. N. Valgren.

SUPPOSE YOUR ANNUAL FARM INCOME AVERAGED \$469 from the year 1912 to 1915. Every dollar had a one-hundred-percent purchasing power.

Then, during the four years 1916 to 1919 the annual income jumped to an average of \$878. But, - its purchasing power was equivalent to only \$496. (This, of course, because of the relative rise in prices of all commodities).

Then, in 1920 the income dropped to \$444. But, - its purchasing power was equal to only \$184.

That is what happened to 25 farms in Washington County, Ohio. Perhaps it is a fair index to what happened over a considerably wider territory.

This Office has just completed a business survey and study of these same farms covering the tenth year. An interesting report is out by Mr. H. W. Hawthorne.

WHAT IS THE "TER MEULEN PLAN?"

Briefly, it is a scheme for providing a credit basis for international trade, - something the American cotton, wheat, and hog producers have no little stake in at present.

This plan was worked out by a Dutch banker, M. ter Meulen. Its essential points are these:

Formation of an International Commission to direct and supervise operations.

Individual importers in a given country list with a commission appointed by their own government, all the assets they can pledge as security for goods they want to buy.

The Government Commission lists these assets with the International Commission. The latter assigns a value to these assets, expressed in terms of gold dollars.

After the individual Government Commission has received from the International Commission a statement of value assigned to its assets, it will issue "ter Meulen bonds" in gold for the assigned amount. These bonds will be prorated among the citizens who originally listed their assets with their own Government Commission.

The bonds, which will be guaranteed by the government and approved by the International Commission, can then be used by the individual importers as a pledge for securing credit from foreign traders with whom they wish to do business.

For example, an Italian manufacturer wants to buy some American cotton. He can pay for it eventually, but must have credit. He lists his plant and other assets with the Italian Commission. This body lumps this and other assets together and submits them to the International Commission, which assigns a gold value. The Italian Commission issues bonds to that amount and the Government guarantees them. The Italian manufacturer can then offer his American exporter collateral for credit; that is, he can offer a gold bond, secured by specific assets, guaranteed by his Government, O. K.'d by an International Commission.

This is an important scheme, and we are likely to hear more of it.

SOME THOUGHTS FOR 1922.

Many farmers face the coming year with something of the feeling of the Marine who came back from Belleau Wood and observed that there was nothing further for him to fear in this world, because, so far as he was concerned, there was practically nothing left to happen!

However, probably there are things left to happen, even yet. A crop failure, for example, is harder on everybody than an over-production. If the ancient and respected Law of Averages is still on the job, it might do no harm to post the look-out for a bad crop year.

Those who think the present agricultural depression means the end of all things, overlook at least two bets: first, that Europe has had a thousand years experience in recovering from calamity; second, that there are ten million more human beings in this country than before the war - every one of them potentially hungry and naked.

When one's purchasing power is low - when a man cannot exchange his labor with other men on an equitable basis - one thing he can do is work at home. His labor will yield about as much as ever in producing food for the family, in making repairs and improvements, in cutting his own fuel, in getting young stock started, and so on.

It may be profitable to do some painting during 1922, or put on a new roof, or lay up a wall, or build some fence, etc. Very likely it will pay well to fix up the old machinery and harnesses and make everything of this kind go another year that will do it. Men will do these things without any advice. But the point is: we ought to have a distinct program of repairs and improvements in every state.

The wise farmer is going to draw a bigger share than ever of his family living from his own farm next year. This needs a program, too.

The farm garden can be listed among the fixed assets and looked to for dividends in 1922. Let it be made clear that the garden is an item in good farm management this year at least. Here is a man-size job, wide open!

When is a business not a business? When it keeps no books! The campaign directed to more and better farm business records was never more in order than it will be in 1922. When we are on the up-swing, when folks are making money, we have no worries except an income tax. When up against hard times, the good fighter holds fast and studies how to work every possible economy into his business. Farm accounts show up the weak places - likewise the strong ones. Let up keep books next year if we never did before.

This is the year to replenish horse-power. Good young horses are cheaper now than they may be five years hence. Many long-headed men are letting one or two or more of the old horses go this winter. Before spring work opens up they will be replaced by strong, young ones - in many cases mares - which will settle the farm power problem for the next ten years on those farms.

We need some intelligent program on fertilizers, which will take account both of this year's fertilizer prices, and of this year's farming conditions.

Amidst all the talk about farm credit, let us not forget one fact: when a man borrows money he must generally figure on repaying it. Ordinarily, there's just one business justification for borrowing money, and that is when it leads to a business profit. Mistaking personal expenses for productive farm enterprises has made more than one promissory note hang like a mill-stone. Perhaps some education in wise use of credit may properly go hand in hand with increased credit facilities.

We are tempted to expand some in dairy and poultry lines. At the same time our bump of experience mildly suggests that we look ahead over into 1923, perhaps 1924, and take account of possibilities then as well as for the coming year.

SOME NOTES ON THE GENERAL OUTLOOK

WE SHALL SEND OUT within the week a summary of letters from men well informed on farm economic affairs over the country, which give their ideas of the present trend and the outlook. Meantime, we quote brief extracts from various representative sections and men. They follow herewith:-

B. H. Hibbard, Wisconsin: "The very evident discrepancy between the farmers' purchasing power and his income is, so far as I can see, entirely impossible of continuation. As to the method of readjustment, I suspect one man's guess is as good as another. It is my belief that it will be brought about more largely by the reduction of the prices of goods which the farmers buy than by increase in the price of products sold."

Andrew Boss, Minnesota: "I am convinced myself, and it seems to me that the agricultural part of our population is becoming convinced, that they will be forced to continue in normal production. I mean by this that a certain portion of our people must remain on the land and continue to produce the crops and products which are adapted to our soil and climate. Those individuals who produce most efficiently are the ones who are going to continue in the business. So far as I can see, there is to be no great change in the type of production in the Northwest. The emphasis will I think for the next few years be laid on livestock production, with dairying, hogs, and poultry receiving more attention than beef raising. Sentiment seems to be strong for a better organized type of agriculture with the effort centered on the staple products."

W. L. Cavert, Minnesota: "I am enclosing figures which I have worked up showing the purchasing power of Minnesota farm products. You will see from these that at the present time corn has a purchasing power of 35% of pre-war, oats 36%, barley 37%, hogs 56%, beef cattle 57%, wheat 74%, butterfat 93%, chickens 109%, eggs 116%, and potatoes 206% of pre-war prices. It will be apparent from these figures that farmers are in a very difficult situation except where their income is derived largely from butterfat, chickens, and eggs."

F. F. Elliott, Illinois: "The economic position of the farmer in the state as a whole is improving slowly due to slight advances in price of certain of his products and more to continued deflation in price of the products he has to buy. --- The farmers in the east central part of the state in the corn belt proper are in the least favorable position relatively, due largely to the fact that the prices of corn and oats, their chief products, are so much out of line with other prices. --- The situation in northern and western Illinois in the dairying and mixed farming regions respectively indicates a change for the better."

H. D. McCullough, S. Dakota: "Delinquent tax lists are unusually long. Cash expenditures have been held to a minimum. More farmers are milking cows than ever before. Indications are that corn, hogs, and dairy cattle will continue to be popular and that the wheat acreage may be slightly decreased."

R. E. Willard, N. Dakota: "Those farmers who have been in the dairy business in a limited way have apparently been more successful than others, and there is quite a marked tendency at the present moment to increase the dairy."

E. L. Moffitt, Pennsylvania: "Men have a feeling that agricultural conditions in this state will be pretty much the same next year as this year. Farmers are not planning to use any extensive amount of fertilizer next year. Indications slight increase in dairying, and possibly a very slight decrease in sheep."

W. D. Nicholls, Kentucky: "In the judgment of the writer, the individual farmer's greatest opportunity for enhancing his profits lies in the exercise of all the economies possible in producing his products, that is to say, in his control of his production costs."

L. A. Moorhouse, Colorado: "It might be well to point out that we are paying around 45¢ for butter at this season of the year. Alfalfa hay is probably selling for \$4.50 to \$5.00 per ton and we appear to have quite large quantities on hand. It would seem that there should be sufficient margin to enable the farmer to feed this hay to dairy cows and convert it into milk or butter."

J. A. Wilson, Oklahoma: "There will be quite a cut in the cotton acreage, probably a fourth, or even a third, --- With a large feed crop this year but with a scarcity of livestock, especially hogs and sheep, we believe there will be a marked shifting toward diversification with livestock as a prominent feature."

W. I. Myers, New York: "Two of the most important reasons for the more favorable situation with New York farmers are high freight rates and the fact that their income is derived largely from the sale of animal products. During the war, freight rates rose slowly and the relatively low cost of transportation favored producing regions far from markets. On the other hand, the high freight costs of the past year have emphasized the pre-war averages; corn on Iowa farms on October 1 had a purchasing power of 41, while on New York farms it had a purchasing power of 67. During the war, milk, eggs, and other animal products were relatively cheap as compared with grains. Since the war, the prices of eggs and farm products have fallen but the prices of most animal products have fallen less and they are now relatively high as compared with grains."

C. E. Allred, Tennessee: "West Tennessee is largely devoted to cotton farming. --- The depression struck hard last year and left them in a very precarious financial condition. This year cotton prices have been fairly good and farmers in that section are in very good circumstances. --- While some of the tobacco farmers lost money last year, yet general economic conditions in the tobacco belt were, on the whole, fairly good."

R. V. Wright, California: "The walnut, citrus and grape producers in this state have received a fairly good return for their products. --- The poultry industry as a whole is in a very stable condition and the poultrymen are making a fairly good return. The livestock industry, treating particularly beef cattle, has been badly crippled, due to the bringing into the state of corn-fed cattle from the Central States."

E. L. Taylor, Nebraska: "Twenty-five cent corn is going to market only as farmers are forced to sell. Such farmers as are able to hold the corn crop are going to hold until the size of next year's corn crop is assured. In the meantime they are depending upon the sales of eggs and butterfat for ready money."

R. V. Gunn, Oregon: "General economic conditions affecting agriculture are better and more promising today than for some time past. It is true, however, that Oregon as a whole was never as badly hit as the Rocky Mountain and Middle Western States. Some phases of agricultural industry in our state have of course, had quite a severe jolt, which will require considerable time for recovery. This is especially true with the livestock ranchers and the hay farmers and to a lesser degree with the wheat farmers."

A. F. MacDougall, Mass.: "December is usually a short milk month, but this year most of our cities are carrying a heavy surplus ---".

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